

Message Text

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ACTION EA-10

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USIA-06 EB-07 COME-00 TRSE-00 AID-05 IGA-01 OMB-01

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R 271021Z FEB 75

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 3087

INFO AMEMBASSY PHNOM PENH

AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMCONSUL DANANG

AMCONSUL NHA TRANG

AMCONSUL BIEN HOA

AMCONSUL CAN THO

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PASS FAS/AMS/USDA

E.O. 11652: N/A DECON 2/28/76

TAGS: ECRP, VS

SUBJECT: RICE SITREP FOR JANUARY 1975 CERP 4012

REF. SAIGON 1176

1. SUMMARY. AS OF JANUARY 31, 19,700 MT OF THE 45,000 MT OF RICE LOANED TO CAMBODIA DURING 1974 HAD BEEN REPAID. REPORTED DELTA DELIVERIES ARE UNUSUALLY LOW, PARTICULARLY IN EARLY FEBRUARY, AT THE SAME TIME THAT LEVELS OF ON-FARM STOCKS IN THE DELTA CONTINUE HIGH. DAE HAS GIVEN INDICATIONS THAT ITS ESTIMATE OF A 74-75 CROP 2.5 PERCENT LARGER THAN LAST YEAR'S IS BASED ON A SLIGHT DECLINE IN DELTA PRODUCTION AND A SUBSTANTIAL INCREASE IN CENTRAL VN PRODUCTION, PARTICULARLY

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IN MR-2. PADDY PRICES DECLINED MODERATELY THROUGH JANUARY.

WHOLESALE RICE PRICES ROSE IN EARLY JANUARY BUT HAVE BEEN
SLIPPING SINCE JAN. 20.

2. END JANUARY SAIGON AND CENTRAL VIETNAM STOCKS (1,000 MT)

| | |
|-------------------|------|
| SAIGON IMPORTED | 58.1 |
| SAIGON DOMESTIC | 59.7 |
| SAIGON PRIVATE | 14.0 |
| DEFICIT PROVINCES | 88.7 |

220.5

3. JANUARY APPARENT CONSUMPTION (1,000 MT)

| | | |
|------------------------------------|-------|------|
| BEGINNING STOCKS | 216.6 | |
| DELTA DELIVERIES | 40.4 | |
| IMPORTS (CAMBODIAN LOAN REPAYMENT) | | 19.7 |
| TOTAL AVAILABLE | 276.7 | |
| MINUS END JANUARY STOCKS | 220.5 | |
| JANUARY APPARENT CONSUMPTION | 56.2 | |

4. REPAYMENTS OF THE 45,000 MT PL-480 LOAN TO CAMBODIA STOOD
AT 19,700 MT AS OF JANUARY 31 AND 22,500 MT AS OF FEBRUARY 18,
ACCORDING TO NFA REPORTS OF RICE ACTUALLY HAVING ENTERED WAREHOUSES.

5. AS STATED IN THE LAST SITREP (REFTEL), DELTA DELIVERIES
HENCEFORTH USED IN THIS SITREP SERIES WILL BE THOSE PROVIDED
BY THE ECONOMIC SERVICE OF THE SAIGON CITY ADMINISTRATION.
THE CITY RECORDED DELIVERIES OF 40,400 MT IN JANUARY WHILE NFA
REPORTED 44,100, BUT NFA ADMITTEDLY INCLUDED AN ESTIMATED 2,000
MT OF UNRECORDED DELIVERIES WHILE THE CITY MADE NO SUCH ESTIMATE.
SOME INFORMED GVN OFFICIALS TELL US PRIVATELY THAT THEY WOULD
ESTIMATE UNRECORDED DELIVERIES AT ABOUT 15 PERCENT OF RECORDED
DELIVERIES. WE BELIEVE THE FIGURE MAY BE HIGHER, BUT WILL NOT
REPORT ESTIMATED UNRECORDED DELIVERIES UNLESS WE HAVE SOME
FIRM INDICATION OF THEIR MAGNITUDE, AS FOR EXAMPLE AT THE END
OF THE CALENDAR YEAR.

6. PRELIMINARY NFA REPORTS FOR DELTA DELIVERIES FOR THE FIRST
HALF OF FEBRUARY SHOW ONLY 11,700 MT DELIVERED FROM FEB. 1-14.
UNDOUBTEDLY TET WAS RESPONSIBLE FOR THE LOW DELIVERY RATE
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DURING THIS PERIOD, BUT EVEN IF DELIVERIES PICK UP IN THE SECOND
TWO WEEKS OF FEBRUARY, IT IS UNLIKELY THAT RECORDED DELIVERIES
FOR THE FIRST TWO MONTHS WILL BE CLOSE TO THE 130,000 MT
ORIGINALLY HOPED FOR THE GVN.

7. APPARENT CONSUMPTION FOR JANUARY OF 56,200 MT (OF PL-480
AND DELTA RICE IN THE DEFICIT AREA) DOES NOT TAKE INTO
CONSIDERATION A PRIVATE MERCHANTS' STOCK BUILD-UP IN DANANG AND

HUE DURING JANUARY OF 1,700 MT. IT IS ALSO LIKELY THAT PRIVATE STOCKS THROUGHOUT THE COUNTRY WERE BUILT UP IN PREPARATION FOR TET, BUT THE ONLY PRIVATE STOCKS FOR WHICH WE HAVE WHAT WE CONSIDER FAIRLY ACCURATE MONTHLY REPORTS ARE THOSE IN SAIGON, AND DANANG AND HUE.

8. APPARENT DEFICIT AREA CONSUMPTION, FIGURED AT 54,500 MT, FACTORING IN THE 1,700 MT STOCK BUILD-UP IN DANANG-HUE, IS SOMEWHAT LOWER THAN THE 60,000 MT EXPECTED BY THE GVN, WHICH FIGURED THAT MONTHLY CONSUMPTION WOULD REQUIRE 25,000 MT DRAWDOWN AGAINST NFA STOCKS, 20,000 MT AGAINST PRIVATE MERCHANTS' STOCKS IN SAIGON, AND 15,000 MT AGAINST PRIVATE STOCKS IN CENTRAL VN.

PRODUCTION ESTIMATES

9. PRELIMINARY ESTIMATES OF THE 74-75 CROP PLACE IT ABOUT 2.5 PERCENT BETTER THAN THE 73-74 CROP. RECENTLY OBTAINED INDICATIONS ARE THAT DELTA PRODUCTION DECLINED SLIGHTLY COMPARED TO LAST YEAR WHILE PRODUCTION IN CENTRAL VN, PARTICULARLY MR-2, WAS SUBSTANTIALLY HIGHER. THUS, IT IS IMPLIED THAT APPARENT CONSUMPTION (AS WE ESTIMATE IT IN PARA 7) WILL BE SOMEWHAT LOWER THAN LAST YEAR. ONE RESULT IS THAT GVN OFFICIALS CONCERNED WITH MAINTENANCE OF SECURITY STOCKS ARE NOW PROJECTING AN AVERAGE MONTHLY DEFICIT AREA CONSUMPTION OF IMPORTED AND DELTA RICE OF 55,000 MT, IE 5,000 MT PER MONTH LESS THAN PROJECTED AS OF TWO MONTHS AGO.

INTEREST RATES FOR RICE MERCHANTS:

10. THE MAXIMUM INTEREST RATE CHARGED TO MERCHANTS BORROWING FROM COMMERCIAL BANKS AGAINST 45 DAY NFA CONTRACTS HAS BEEN RAISED FROM 8 TO 10 PERCENT PER ANNUM. COMMERCIAL BANKS CONTINUE TO REDISCOUNT SUCH LOANS WITH CCVN AT 2 PERCENT PA.
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11. INTEREST RATES FOR CENTRAL VN MERCHANTS HAVE BEEN LOWERED FROM 18 PERCENT TO AN EFFECTIVE RATE OF 13 PERCENT PA, PROVIDED A NUMBER OF DELIVERY CRITERIA ARE MET. THE NATIONAL BANK UNDERWRITES THESE LOANS AT 8 PERCENT PA.

12. PRICES

A. DELTA PADDY AT THE MILL (WEIGHTED AVERAGE PER 100 KILOS)

1974

1975

JAN 1 JUL 1 SEPT 1 OCT 1 NOV 1 JAN 1 JAN 15 FEB 1

HIGH QUALITY 10042 12604 14224 13372 14849 12670 11650 12036

MEDIUM QUALITY 9200 12153 13134 12592 13110 11713 11132 11098

B. SAIGON WHOLESALE RICE PRICES (100 KILOS)

| | 1974 | 1975 |
|------------------|---|------------------|
| | JAN 1 JUL 8 SEPT 2 NOV 25 DEC 30 | JAN 20 FEB 3 FEB |
| 17 | | |
| NANG HUONG | 23000 22800 24000 23200 24800 25300 24800 24500 | |
| SOC NAU | 15300 18800 20100 19200 20200 20300 20200 20000 | |
| NO.1, 25 PERCENT | 14700 18100 19000 18500 19000 19200 19100 19000 | |
| MIRACLE RICE | 14200 17700 18200 17500 17900 17800 17500 17300 | |

C. SAIGON RETAIL RICE PRICES (100 KILOS)

| | 1974 | 1975 |
|------------------|---|------------------|
| | JAN 1 JUL 8 SEPT 2 NOV 25 DEC 30 | JAN 20 FEB 3 FEB |
| 17 | | |
| NANG HUONG | 24800 24800 25500 24200 25800 26500 26000 26000 | |
| SOC NAU | 17300 20000 21000 20200 21200 21200 21000 21000 | |
| NO.1, 25 PERCENT | 16500 18800 19600 19000 19600 19800 19500 19500 | |
| U.S. MEDIUM | 16200 18000 19600 19000 19500 19500 19500 19500 | |
| U.S. LONG | 17200 19800 20500 20200 21000 21000 21000 21000 | |

13. DELTA PADDY PRICES CONTINUED TO DECLINE; ALTHOUGH HIGH QUALITY PADDY RECOVERED SOMEWHAT IN LATE JANUARY, FEB 1 PRICES DID NOT REACH JAN 1 LEVELS. SURPRISINGLY, RICE PRICES DECLINED BEFORE TET. PRESUMABLY MERCHANTS OVERESTIMATED DEMAND. THE PRICE DECLINE CONTINUED AFTER TET, ALTHOUGH RETAIL PRICES HELD LIMITED OFFICIAL USE

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FIRM. NFA REPORTED SELLING 4,000 TO 5,000 MT OF RICE DURING JANUARY AND UP UNTIL TET, THROUGH RETAIL OUTLETS. THERE WAS NOT MUCH DEMAND FOR THIS RICE, WHICH ALTHOUGH CHEAP WAS OF POOR QUALITY, COMING MAINLY FROM THE TN HARVEST DURING WHICH SUBSTANTIAL DRYING PROBLEMS WERE ENCOUNTERED. MARTIN

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